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AICPA *Washington Report*

May 24, 1976, Volume V, Issue 13

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CIVIL AERONAUTICS BOARD

A clarification of CAB Form 183 reporting requirements has been issued. The clarification affects the requirements to report credit extended to political candidates and the instructions provided in this clarification supersede those on the reverse side of Form 183 dealing with the submission of "negative" reports.

COMMERCE, DEPARTMENT OF

The Senate has passed legislation to provide for comprehensive data collection of U.S. direct and portfolio investment abroad and in the U.S. The bill (S.2839) authorizes the Secretaries of Commerce and Treasury to collect information on international investments. The Executive branch would be directed to set up and maintain a regular data collection program designed "to obtain current and continuing information from parents and affiliates on international capital flows and other matters relating to international investment, including information necessary for computing and analyzing the U.S. balance of payments, employment and taxes and the international investment portion of the U.S."

COST ACCOUNTING STANDARDS BOARD

The CASB presented its Public Service Award to the American Institute of Certified Public Accountants on May 17. The award is in recognition of the contributions by the public accounting profession in the CASB's research in cost accounting. The Board's award notes that the AICPA has contributed significantly to the professional quality of Cost Accounting Standards.

ENVIRONMENTAL PROTECTION AGENCY

Copies of the recent audit guide issued by EPA entitled "Audit Guide for Construction Grant Programs" may be obtained free of charge by calling the agency at 202/755-0890.

FEDERAL ENERGY ADMINISTRATION

Amendments to the agency's Administrative Procedures and Sanctions, reflecting changes required by the Energy Policy and Conservation Act, appear in the 5/14/76 Fed. Reg., beginning on p. 19929. In particular, the commentary includes a discussion of "improper accounting for non-product cost increases should be included among the activities relating "to the production, distribution and refining of crude oil. . ." The FEA concluded that since the improper calculation of non-product costs can have the same overall effect on lawful prices that improper accounting for product costs can have, they should be treated in the same manner as product costs for purposes of this rulemaking.

FEDERAL TRADE COMMISSION

A major change in the doctrine of "holder in due course" in consumer credit contractual arrangements has been announced by the Commission. The Trade Rule approved by the Commission is designed to insure that consumer credit contracts used in financing the retail purchase of consumer goods or services specifically preserve the consumer's rights against the seller. It requires sellers to include the following "Notice" in the text of any consumer credit contract which they execute with a buyer:

"Any holder of this consumer credit contract is subject to all claims and defenses which the debtor could assert against the seller of goods and services obtained pursuant hereto or with the proceeds hereof. Recovery hereunder by the debtor shall not exceed amounts paid by the debtor hereunder."

The rule is reprinted with accompanying guidelines in the 5/14/76 Fed. Reg., beginning on p. 20022.

GENERAL ACCOUNTING OFFICE

The GAO Reports Review Section is soliciting comments on forms received from the FCC prior to their adoption. The FCC is requesting clearance of a revision of Form 303 which is required to be filed by approximately 700 TV broadcast station licensees applying for renewal of a commercial license. Also, new Form 303-R required to be filed by 2400 licensees applying for renewal of a commercial AM or FM radio broadcast station license is under review.

HEALTH, EDUCATION AND WELFARE, DEPARTMENT OF

The cost for federal health care programs will rise about 14% annually over the next five years. This is the estimate reached by the Congressional Budget Office. These health care projections were presented before a Senate Labor Subcommittee meeting during a panel discussion on health care inflation. The highest increases will occur in the medicaid and medicare programs, which will jump from \$31.2 billion in FY77 to \$51 billion in FY81, according to the estimates. National spending on personal health care services will rise from an estimated \$150 billion in FY77 to slightly more than \$250 billion in FY81. In that year, federal health expenditures would account for 12.3 percent of a current policy budget.

Hearings on the Administration's "Federal Assistance for Community Services Act", providing for social services block grant were held last Friday. In addition to exposing this recent proposal (HR 12175), the hearing provided an opportunity for the Committee members to receive an evaluation of the first year of experience in planning and administering the social services program under Title XX of the Social Security Act. The \$2.5 billion program provides funds on the basis of population to the States, with the States having considerable latitude under current law in allocating funds between various kinds of social services, and in determining who is eligible to receive social services.

INTERIOR, DEPARTMENT OF

Finalized regulations for coal mining operations involving leases on federal land and territories appear in the 5/17/76 Fed. Reg., beginning on p. 20261. Sec. 211.65 provides that an audit of the accounts and books of lessees and permittees for the purpose of determining compliance with lease or permit terms relating to royalties may be required annually, or at other such times as may be directed by the Mining Supervisor, by a qualified independent certified public accountant or by an independent public accountant licensed prior to December 31, 1970, by a State, territory, or insular possession of the United States or by the District of Columbia, and at the expense of the lessee.

INTERSTATE COMMERCE COMMISSION

Proposed standards for determining commuter rail service continuation subsidies and emergency operating payments appear in the 5/14/76 Fed. Reg., beginning on p. 20102. These standards are a result of statements received on prior rulemaking procedures as well as reflecting the results of two studies prepared by consulting firms analyzing existing contractual relationships between rail carriers and commuter authorities. Comments on these proposed standards should be received prior to 6/15/76, and the final standards will take effect no later than 8/3/76.

JUSTICE, DEPARTMENT OF

The Senate will take up the omnibus antitrust bill (S.1284) this week. A summary of the major provisions in this bill was included in last week's (May 17) Report. There is an indication that the bill's opponents will begin a filibuster when the measure is brought to the floor.

Legislation has been approved in both Houses in different versions extending the Law Enforcement Assistance Administration (LEAA). Both bills (S.2212/HR 13636) include provisions strengthening the evaluation requirements of the LEAA's programs. The House version extends the LEAA's authorization only for one year; the Senate's provides for a five-year extension.

LABOR, DEPARTMENT OF

Some minor modifications to the Department's summer program for economically disadvantaged youth under the Comprehensive Employment & Training Act (Title III) appear in the 5/11/76 Fed. Reg., beginning at p. 19286. Sec. 97.24 contains the revised reporting requirements which include an "end of summer report" based on the accounting records required under Secs. 98.12 and 98.13 of the regulations.

OFFICE OF MANAGEMENT AND BUDGET

Legislation establishing a computerized information center on all federal domestic assistance programs, accessible via computer terminals anywhere in the country, has been approved by the Senate Government Operations Committee. The bill (S.3281) envisions a Federal Program Information Center that would maintain the computer information bank and also publish a catalog of assistance programs, expanding on the data already published by OMB.

In a related matter OMB has released its latest edition of the "Catalog of Federal Domestic Assistance", describing 1,026 programs. Copies may be obtained from the GPO on a subscription rate of \$16 which includes periodic updates.

SECURITIES AND EXCHANGE COMMISSION

The Advisory Committee on Corporate Disclosure is seeking public comments on several topics currently under consideration. The first question is what should the objectives of a corporate disclosure system be? The second is how should the standard of "materiality" be defined under the federal securities laws? Anyone wishing to respond to these questions or any of the others included in the recent release should submit them to: Mary E.T.

Beach, Staff Director, Advisory Committee on Corporate Disclosure, Securities and Exchange Commission, 500 North Capitol St., Washington, D.C. 20549.

[Anyone wishing to obtain one free copy of the Advisory Committee's recent request for views may do so by calling our Washington office by 6/2/76.]

The SEC is opposed to the plan (S.3133) offered by Sen. Proxmire (D-WI) Chairman of the Senate Banking Committee which calls for legislation to outlaw corporate bribes paid to foreign officials and to require public disclosure of such payments. As an alternative, the SEC has proposed legislation (S.3148) to require corporations to establish internal controls that reasonably assure the proper identification of financial transactions and prohibit management from making false or misleading statements to auditors. A compromise in the two opposing views may be reached and take the form of forcing corporations to report any questionable payments exceeding \$1,000 but at the same time prohibiting management from making any false or misleading statements to its outside auditors.

Oversight hearings on the SEC's functions and operations were held last week in the House. Each of the regulatory agencies is undergoing a thorough inquiry by the Oversight Subcommittee of the House Interstate and Foreign Commerce Committee chaired by Rep. Moss (D-CA). In Mr. Moss' opening remarks he noted that serious questions have been raised about the integrity of the entire corporate recordkeeping and auditing system. Chairman Hills in his remarks commented that the independent CPAs are doing a respectable job and are responding adequately to the recent cases involving corporate wrongdoing. He added that while the enforcement system needs some "patching up", he felt that between the Congress, the SEC and the "professionals" things could be rectified. Prof. Briloff, CPA, was requested by the Subcommittee to testify on Friday concerning the "establishment and implementation of accounting standards".

SMALL BUSINESS ADMINISTRATION

A bill to provide income tax simplification reform and relief for small business has been introduced by Sen. Nelson (D-WI), Chairman of the Small Business Committee. The bill (S.3397) is entitled the "Small Business Growth and Job Creation Act of 1976". The bill will help to focus the attention of decision-makers on the various tax problems of the diverse types and sizes of enterprises making up the small business community.

On the House side, three measures affecting small business contracting and bonding have been introduced by Rep. Addabbo (D-NY), Chairman of the SBA Oversight Subcommittee. HR 13859 provides that all procurement contracting in excess of \$500,000 paid for in whole or in part with federal financial assistance must contain a small business subcontracting clause. HR 13856 amends the federal law on performance bonding for construction work by raising the \$2,000 project cost threshold to \$25,000. HR 13857 permits the Administrator of the SBA to waive all or part of the federal bonding requirements for those construction contractors performing work pursuant to Sec. 3(a) contracts.

TREASURY, DEPARTMENT OF

Twelve common mistakes in applications for employee plan determinations have been found by IRS. The two top errors were missing employer identification and three-digit plan numbers. Failure of the applicant to sign the form was another frequent mistake. Often, the applicant failed to file the proper form, or did not file in duplicate, or neglected to include Form 5302 (employee census). In other cases, the applicant failed to complete the line asking for total number of participants.

The Senate Finance Committee has voted to impose stricter limits on the deductions that may be taken for the use of part of one's residence as an office, as well as the expenses of attending business conventions overseas and for expenditures on vacation homes that are used as rental properties. These changes are in some degree different than those approved in the tax revision bill passed by the House. The "convention rule" is much stricter than the House version. On the deduction of cost for an office in one's home the standards adopted in the Senate parallel those in the House bill. In the case of vacation homes, the Committee was not as strict in application as is the House-approved provision.

A special task force to study the tax treatment of single persons and married couples where both spouses are working has been assembled by Rep. Ullman (D-OR) Chairman of the Committee on Ways & Means. Rep. Waggoner, Jr. (D-LA) will serve as Chairman of the special task force studying this question.

Two studies of foreign portfolio investment in the U.S. indicate that such investment was up substantially over 1974 levels. However, both concluded that no basic change in U.S. policy concerning treatment of foreign investments is necessary, as long as data is collected regularly.

For further information, please contact:

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